

# Capital Outlay

## Arizona Department of Transportation Building System

JLBC: Lorenzo Martinez

OSPB: Bret Cloninger

JCCR Chairman: Pearce

JCCR Vice-Chairman: Burns

DESCRIPTION	FY 2005	
	OSPB	JLBC
<b>BUILDING RENEWAL</b>		
ADOT Building Renewal		3,280,900
<b>SUBTOTAL</b>		<b>3,280,900</b>
<b>NEW PROJECTS</b>		
Airport Planning and Development		13,540,000
Controlled Access Highways		88,131,000
Debt Service		86,863,000
Statewide Highway Construction		43,161,000
<b>SUBTOTAL</b>		<b>231,695,000</b>
<b>TOTAL - ALL PROJECTS</b>		<b>234,975,900</b>
<b>FUND SOURCES</b>		
<u>Other Appropriated Funds</u>		
State Aviation Fund		13,605,900
State Highway Fund		221,370,000
SUBTOTAL - Other Appropriated Funds		234,975,900
<b>SUBTOTAL - Appropriated Funds</b>		<b>234,975,900</b>
<b>TOTAL - ALL SOURCES</b>		<b>234,975,900</b>

**DESCRIPTION** — *The Arizona Department of Transportation Building System (ADOT) includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission. Most appropriations for ADOT projects are from the State Highway Fund and the State Aviation Fund.*

**JLBC Recommendations** - The following amounts are one-time appropriations.

### Building Renewal OF \$3,280,900

The JLBC recommends \$3,215,000 from the State Highway Fund and \$65,900 from the State Aviation Fund for Building Renewal within the ADOT Building System in FY 2005. Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The State Highway Fund amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport. The recommended amounts represent 100% funding of the building renewal formula. Building renewal appropriations are used for major repair and maintenance of state-owned buildings.

### Airport Planning and Development OF 13,540,000

The JLBC recommends \$13,540,000 from the State Aviation Fund for the department's airport construction program in FY 2005. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport. Under current law, 50% of the revenue from the flight property tax is deposited in the General Fund through June 30, 2004, after which 100% of the revenue would be deposited in the state Aviation Fund. The JLBC recommends continuing to

deposit 50% of the tax in the General Fund in FY 2005. This recommendation would require a statutory change.

### Controlled Access Highways OF 88,131,000

The JLBC recommends \$88,131,000 from the State Highway Fund for the Highway User Revenue Fund formula dedicated to the construction of urban freeways in FY 2005. The Maricopa Association of Governments (MAG) receives 75% and the Pima County Association of Governments (PAG) receives 25%.

### Debt Service OF 86,863,000

The JLBC recommends \$86,863,000 from the State Highway Fund for the appropriated portion of the debt service on bonds in FY 2005. ADOT has approximately \$3.1 billion in outstanding bonds and other long-term debt. The recommended amount represents the appropriated component of debt service. See *Table 1* for more information on debt service.

### Statewide Highway Construction OF 43,161,000

The JLBC recommends \$43,161,000 from the State Highway Fund for highway construction in FY 2005. The expenditure of these monies is determined by the Transportation Board, which develops a 5-year plan.

\* \* \*

**JLBC RECOMMENDED FORMAT — Lump Sum by Project by Fund**

**JLBC RECOMMENDED FOOTNOTES**

*Standard Footnotes*

Building Renewal

Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2005 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Twenty-five percent or less of the monies may be spent for state building modifications to comply with the federal Americans with Disabilities Act (42 United States Code sections 12101 through 12213 and 47 United States Code sections 225 and 611) or for major maintenance and repair activities for state infrastructure. The monies may only be used for facilities on the state building inventory or for infrastructure that directly supports those facilities. All other monies appropriated in this section shall not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. Any monies appropriated for building renewal in FY 2005 that are unexpended or unencumbered on September 30, 2006 shall revert to the fund from which they were appropriated.

Individual Projects

The amount appropriated for highway construction is from the State Highway Fund for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph.

The amount is appropriated from the State Aviation Fund for the planning, construction, development and improvement of state, county, city or town airports as determined by the state Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph.

Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities.

Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or

abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance.

Before the expenditure of any monies for Professional and Outside Services, including contracted field administration and field engineering, the Department of Transportation shall submit information on Professional and Outside Services funded from the capital budget to the Joint Committee on Capital Review by July 1, 2004 for review. The submitted information shall contain at least as much detail for Professional and Outside Services as the department's annual operating budget.

*New Footnotes*

The department shall report to the Joint Legislative Budget Committee by September 1, 2004 information on unit cost measures for the committee's review. The report shall include measures for FY 2004 for the following unit cost measures: Maricopa regional freeway system design cost per mile; Maricopa regional freeway system right-of-way cost per mile; Maricopa regional freeway system construction cost per mile; and, light vehicle maintenance cost per mile. The report shall also include measures for FY 2004 for the following unit cost measures: highway construction design cost per mile for the rest of the state; highway construction right-of-way cost per mile for the rest of the state; highway construction cost of construction per mile for the rest of the state; landscape in-house cost per center line mile; landscape contract cost per center line mile; litter pick up in-house cost per center line mile; litter pick up contract cost per center line mile; litter pick up prison labor cost per center line mile; litter pick up volunteer cost per center line mile; Motor Vehicle Division service Arizona (Internet) cost by type of transaction; Motor Vehicle Division renew by mail cost by type of transaction; and, Motor Vehicle Division field office visit cost by type of transaction. *(This would provide the Legislature with potentially useful information regarding the unit cost of certain department operations.)*

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**Highway Construction**

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the Board on June 20, 2003 includes monies from the State Highway Fund, Federal Funds, Maricopa Regional Area Road Fund, Highway User Revenue Fund for controlled access roads, and bond revenues. The highway construction program totals \$1,293,562,000 for FY 2005, including \$887,576,000 for construction and maintenance projects scheduled to begin in FY 2005, and \$405,986,000 for debt service. For details please see *Table 1*:

Table 1

**Highway Construction Program Adopted  
By State Transportation Board and Estimated  
Debt Service Payments**

**FY 2005**

Construction	\$391,898,000
Urban Controlled Access <sup>1/</sup>	269,361,000
Pavement Preservation Maintenance	107,783,000
Other <sup>2/</sup>	118,534,000
Debt Service <sup>3/</sup>	405,986,000

<b>Total</b>	<b>\$1,293,562,000</b>
--------------	------------------------

<sup>1/</sup> Includes expenditures from the Highway User Revenue Fund for controlled access and from the Maricopa Regional Area Road Fund.

<sup>2/</sup> Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

<sup>3/</sup> Information provided by the department. Includes \$66,639,000 in FY 2005 for State Highway Fund statewide construction bonds; \$50,384,000 for Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds; \$222,943,000 for Maricopa Regional Area Road Fund Bonds; and \$66,020,000 for Grant Anticipation Notes.

**Total Highway Construction Funding**

Only a small portion of the state's total highway construction funding is appropriated. *Table 2* summarizes the estimated revenues and expenditures for FY 2005, on a cash flow basis as provided by the department. The previous table, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it shows the total dollar cost of highway projects scheduled to begin in FY 2005.

Of the revenue amounts, only the Statewide Highway Construction and Controlled Access Highways amounts are appropriated. Of the expenditure amounts, only a portion of Debt Service is appropriated.

Table 2

**Estimated Highway Construction - Cash Basis****FY 2005**

<b>Balance Forward <sup>1/</sup></b>	<b>\$363,682,000</b>
<b>Revenues</b>	
Appropriated Statewide Highway Construction	\$130,024,000
Appropriated Controlled Access Highways (MAG&PAG)	88,131,000
½ Cent Sales Tax	307,500,000
Federal Aid	394,100,000
Miscellaneous Income/Expenses <sup>2/</sup>	72,029,000
HURF Bond Proceeds <sup>3/</sup>	220,000,000
Highway Expansion & Extension Loan Repayments	138,495,000
Subtotal - Revenues	<b>\$1,350,279,000</b>
<b>Total Funds Available for Construction</b>	<b>\$1,713,961,000</b>
<b>Debt Service Expenditures</b>	
Appropriated Debt Service	\$86,863,000
Other Debt Service (All Other)	360,446,000
Subtotal - Debt Service	<b>\$447,309,000</b>
<b>Planned Construction Expenditures</b>	
Statewide Highway Construction (including PAG)	\$583,546,000
Controlled Access Highways (MAG)	295,441,000
Subtotal - Construction Expenditures	<b>\$878,987,000</b>
<b>Total Planned Expenditures</b>	<b>\$1,326,296,000</b>
<b>Balance Forward</b>	<b>\$387,665,000</b>

<sup>1/</sup> Includes unexpended bond proceeds for bonds issued in prior years.

<sup>2/</sup> Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees retainage.

<sup>3/</sup> Bond proceeds reflect a cash expenditure basis.

**Highway User Revenue Fund Analysis**

The Highway User Revenue Fund (HURF) consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, and others. HURF is the primary source of monies for the department's operating budget. The last line of *Table 3*, which shows Net State Highway Fund Monies Available for Statewide Highway Construction, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, Carryover Funds, and Miscellaneous Funds available for construction. The last line represents the amount that is available from the State Highway Fund to fund the State Transportation Board's 5-Year Plan.

Table 3

**Highway User Revenue Fund (HURF) Distribution**  
**(\$ in Thousands)**

	<b>FY 2003 Actual</b>	<b>FY 2004 Estimate</b>	<b>FY 2005 Exec</b>	<b>FY 2005 JLBC</b>
<b>Total HURF Collections</b>	<b>1,110,756</b>	<b>1,149,900</b>		<b>1,200,500</b>
Less: Economic Strength Fund <sup>1/</sup>	500	1,000		1,000
ADOT – MVD Operating Budget	648	383		383
Dept of Public Safety Transfer from HURF	54,416	48,698		50,981
<b>Net HURF Collections</b>	<b>1,055,192</b>	<b>1,099,819</b>		<b>1,148,136</b>
Less: Cities <sup>2/</sup>	321,799	335,445		350,181
Counties <sup>2/</sup>	200,465	208,966		218,146
Controlled Access <sup>3/</sup>	80,988	84,422		88,131
<b>Net State Highway Fund (Discretionary)</b>	<b>451,940</b>	<b>470,986</b>		<b>491,678</b>
Plus: Other Income <sup>4/</sup>	13,849 <sup>5/</sup>	14,900		15,300
Less: Operating Budget (excludes MVD in JLBC FY 2004)	262,712	329,914 <sup>6/</sup>		334,174
Operating Carryovers, Adjustments and Transfer <sup>7/</sup>	9,408	2,090		5
Capital Outlay and Building Renewal	3,816	1,561		3,215
Capital Non-Lapsing Carryovers	0	5,580		0
Motor Vehicle Third Party Payments <sup>8/</sup>	8,154	8,436		9,409
Dept of Public Safety Transfer from Highway Fund	28,267	30,151		30,151
General Fund Transfer from State Highway Fund <sup>9/</sup>	10,000	0		0
Debt Service <sup>10/</sup>	43,766	59,163		86,863
<b>Net Highway Fund Available for Statewide Highway Construction (5-Year Plan) <sup>11/</sup></b>	<b>99,666</b>	<b>48,991</b>		<b>43,161</b>

<sup>1/</sup> Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board. Laws 2002, Chapter 22, reduces HURF collections by \$(500,000) in FY 2003, by appropriating \$500,000 of vehicle license tax revenue to ADOT for grants for certain small community air service and airport upgrades, before the vehicle license tax revenue is distributed to HURF. Chapter 22 also reduces the distribution from HURF to the Economic Strength Fund by \$(500,000) in FY 2003.

<sup>2/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

<sup>3/</sup> A statutorily defined distribution of State Highway Fund monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

<sup>4/</sup> Includes interest and rental income, transfers from the Public Roads Fund, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income.

<sup>5/</sup> Includes a \$(650,000) decrease of State Highway Fund monies distributed from vehicle license tax revenue, per Laws 2002, Chapter 328. Chapter 328 appropriates the \$650,000 to ADOT to buy 78 miles of railroad corridor from west Phoenix to Wellton, Arizona.

<sup>6/</sup> Beginning in FY 2004, includes the Arizona Department of Transportation's construction operating budget, which was previously included in the department's capital budget.

<sup>7/</sup> Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

<sup>8/</sup> Statutory payments to third parties from vehicle license taxes collected by third parties.

<sup>9/</sup> Appropriated from the State Highway Fund to reimburse the General Fund for highway patrol expenditures in FY 2001 (Laws 2003, 1<sup>st</sup> Special Session, Chapter 2).

<sup>10/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

<sup>11/</sup> Excludes Maricopa and Pima County controlled access funds, and bond, federal carryover, and miscellaneous funds available for construction.

**Percentage Distribution of HURF Monies**

Cities	30.5%
Counties	19.0%
Controlled Access <sup>1/</sup>	7.676%
State Highway Fund <sup>1/</sup>	42.824%
<b>Total</b>	<b>100.0%</b>

<sup>1/</sup> A.R.S. § 28-6538 distributes 50.5% of HURF monies to the State Highway Fund, with 12.6% of the monies distributed to the State Highway Fund being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of State Highway Fund monies set aside for controlled access highways (50.5% of 15.2% = 7.676%). The controlled access monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

[Click here to return to the Table of Contents](#)